CHINA'S LIFE SCIENCE INDUSTRY 04-06/16

Dear Friends and Colleagues,

After much criticism over the quality and integrity of scientific work in China, a recent special issue of Nature Magazine uncovers some of the new trends in Chinese state-of-the-art research. The "sticks and carrots" lined up by the National Natural Science Foundation of China (NSFC) and the Chinese Ministry of Science and Technology (MOST), such as the Anti-misconduct Campaign and the link between top researchers and VC money, serve as a catalyst to promote original research. With its quality of research dramatically improving (though still under the global average), China continues to make progress with the aim of becoming a global center for basic research and innovation.

We wish you a pleasant and relaxing summer!

Eyal Harel

CEO-Global

POLICY NEWS

A Pilot Plan Announced for the Marketing Authorization Holder System for Drugs in Selected Regions

Currently, Chinese companies wishing to commercialize pharmaceuticals need to manufacture them themselves. In a bid to encourage drug-innovation and reduce costs associated with in-house manufacturing - China's State Council has announced a detailed pilot plan for the "Marketing Authorization Holder System". The plan, first to be implemented in 10 provinces in China, allows domestic drug R&D institutions and individuals to apply for and hold drug product licenses without having to become drug manufacturers themselves.

NEWS FROM THE INDUSTRY

Oramed Announces $6.5 Million Milestone Payment from Sinopharm

On June 21, 2016 Oramed Pharmaceuticals Inc., an Israeli developer of oral drug delivery systems, announced that Hefei Tianhui Incubator of Technologies Co. Ltd. (HTIT) has transferred a $6.5 million milestone payment in connection with the license and investment agreement between Oramed and HTIT. The payment follows

Oramed's positive top-line results from its Phase IIb U.S. FDA trial designed to evaluate the safety and efficacy of Oramed's oral insulin capsule ORMD-0801 in patients with type 2 diabetes. Per the terms of the agreement signed in December 2015, Oramed granted HTIT exclusive rights for commercialization of ORMD-0801 in Greater China. The up to $50 million license deal includes multiple milestone payments aggregating to $38 million, with a $3 million upfront payment received by Oramed upon execution of the agreement, plus a $12 million investment made by HTIT in Oramed at $10.39 per share in December 2015. Oramed will receive a 10% royalty on net sales of ORMD-0801 and related commercialized products in Greater China.

Strategic Collaborations for BATM's Adaltis in China

Israel's BATM Advanced Communications Limited, a leading provider of real-time technologies for networking solutions and medical laboratory systems, announced on June 30, 2016 that its wholly-owned subsidiary Adaltis, a manufacturer of medical diagnostics equipment, has entered into an investment agreement and a strategic joint venture with its Chinese partner, Egens Biotechnology Company Ltd. According to the agreement, Egens will purchase ~US$3 million of Adaltis's shares at a company valuation of ~US$58 million. Egens is to make a further investment in Adaltis Bio Med Company (a joint venture between both companies established in 2014) by way of a shareholder loan to ABC of US$1.5 million.

Expanded Phase II Trials by Chi-Med Triggers US$10 Million Milestone from AstraZeneca

June 20, 2016. Hutchison China MediTech Limited ("Chi-Med") has announced the initiation of a Phase II expansion of the ongoing TATTON trial to evaluate the selective c-Met inhibitor savolitinib (AZD6094) in epidermal growth factor receptor ("EGFR") mutant non-small cell lung cancer ("NSCLC") patients. Savolitinib has the potential to address major unmet medical needs in c-Met-driven subsets of NSCLC, a disease that is estimated to afflict approximately 1.7 million new patients annually worldwide.

The initiation of the expanded Phase II study has triggered a US$10 million milestone payment to Hutchison MediPharma Limited ("HMP") (a 99.8% held subsidiary of Chi-Med) under the terms of the agreement with AstraZeneca PLC ("AstraZeneca") signed in December 2011.

Ability to License SciClone's Novel Anticancer Agent for the China Market

May 11, 2016. Ability Pharmaceuticals and SciClone Pharmaceuticals have entered into an agreement, granting SciClone an exclusive license to develop and market the novel anticancer ABTL0812 in China and some adjacent territories.

Under the terms of the agreement, Ability will receive an upfront payment and research funding as well as development, regulatory and sales milestone payments, potentially totaling more than $20 million; AbilityPharma will also be eligible to receive royalties on sales.

CSPC Licenses Global Rights of a Generic Oncology Drug to Watson for up to $106 million

The CSPC Pharmaceutical Group announced on April 20, 2016 that CSPC Zhongqi, its wholly owned subsidiary, entered into an agreement with Watson Laboratories. The agreement includes product licensing and commercialization of a complex generic oncology drug in the global market except China.

Pursuant to the agreement, Watson will make milestone payments to CSPC Zhongqi of up to an aggregate amount of US$106 Million subject to the drug development and registration progress and amount of future sales achieved by Watson globally.

Essex Invests $3.5 million in Abpro

On April 6, 2016 Abpro, an integrated life science company at the forefront of synthetic biology, announced its partnership with Essex Bio, a China-based biopharmaceutical company. Abpro and Essex will co-develop multiple monoclonal antibodies in immuno-oncology and ophthalmology by leveraging Abpro's DiversImmune™ platform.

In the context of the transaction, Abpro received a $3.5M equity investment from Essex Bio and an undisclosed amount from affiliates.

Epigenomics License the China Rights of its Blood-Based Lung Cancer Test to BioChain

German-American Epigenomics AG, a cancer molecular diagnostics company, announced on March 30, 2016 that it has entered into a strategic license agreement with BioChain on the development and commercialization of its novel, blood-based lung cancer test for China.

Under the terms of the agreement, Epigenomics will receive undisclosed upfront, milestone and minimum annual payments as well as royalties on future revenues.